

Message Text

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S E C R E T SANTIAGO 4322

EXDIS

EO 11652: GDS

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SUBJ: COPPER

REF: SANTIAGO 4307

1. SUMMARY: ORLANDO SAENZ RAISED THE SUBJECT OF US/CHILEAN COPPER PROBLEMS WITH ME AND SAID THERE IS A STRONG WILL ON THE PART OF THE JUNTA TO FIND A SOLUTION. HE MENTIONED THE 1914 TREATY IN THIS CONNECTION. I REVIEWED THE HISTORY OF OUR NEGOTIATIONS WITH THE ALLENDE GOVT AND SUGGESTED THE NEW GOC MIGHT WISH TO CONSIDER ALTERNATIVES TO THE 1914 TREATY MECHANISM. SAENZ SAID COPPER QUESTION WAS OBVIOUSLY POLITICALLY SENSITIVE TO THE JUNTA, AND REMARKED THE POSSIBILITIES MIGHT INCLUDE A COMBINATION OF DIRECT NEGOTIATIONS WITH COMPANIES, A THIRD PARTY MECHANISM SUCH AS A MODIFIED USE OF THE 1914 TREATY, OR COPPER TRIBUNAL ACTION.

I WOULD APPRECIATE THE DEPT'S GUIDANCE ON HOW WE SHOULD PROCEED IN COPPER NEGOTIATIONS, KEEPING IN MIND THE SENSITIVITIES SAENZ AND ANOTHER SOURCE HAVE MENTIONED. CERRO VP WALSH IS MEETING SAENZ THIS AFTERNOON TO DISCUSS HIS COMPANY'S SITUATION. END SUMMARY

2. IN MY TALK WITH ORLANDO SAENZ SATURDAY EVENING (REFTEL), HE RAISED THE SUBJECT OF COPPER. HE SAID THE CHILEAN GOVERNMENT IS ANXIOUS TO GET THIS DISPUTE OUT OF THE WAY AND RESOLVED IN A MANNER SATISFACTORY TO BOTH SIDES. HE INDICATED THAT HE HAD BEEN GIVEN RESPONSIBILITY FOR TRYING TO THINK THROUGH THE QUESTION IN A PRELIMINARY WAY - AT LEAST FOR THE FOREIGN MINISTRY. SAENZ' INITIAL
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THOUGH, HE SAID, WAS THAT THE 1914 TREATY - USED IN DIFFERENT CONTEXT AND A DIFFERENT SPIRIT - MIGHT PROVIDE A VEHICLE FOR WORKING THINGS OUT.

3. I TOLD SAENZ I HAD NOT YET HAD THE OPPORTUNITY TO DISCUSS COPPER WITH WASHINGTON SINCE THE COUP. THEREFORE, WHATEVER I MIGHT SAY SHOULD BE TAKEN AS PERSONAL AND ENTIRELY WITHOUT GUIDANCE. I BRIEFLY DESCRIBED THE HISTORY OF OUR COPPER NEGOTIATIONS WITH THE ALLENDE GOVERNMENT, POINTING OUT THE UNDERTAKINGS ASSUMED AT PARIS IN APRIL 1972 AND OUR INITIAL SUGGESTION THAT THE GOC ENTER INTO DIRECT NEGOTIATIONS WITH THE COMPANIES, OR - WHEN THE GOC MADE CLEAR IT DID NOT WISH TO DO SO - SEEK A DIRECT NEGOTIATED SOLUTION THROUGH TALKS WITH THE USG. I THEN DESCRIBED THE CIRCUMSTANCES UNDER WHICH THE USG MADE ITS LIMA PROPOSAL, IN RESPONSE TO THE DESIRE OF THE ALLENDE GOVERNMENT TO USE A THIRD PARTY MECHANISM. I ALSO DESCRIBED THE DISADVANTAGES OF THE 1914 TREATY IN TERMS OF ITS CHARACTER AS A CONCILIATION PROCEDURE IN ITS FIRST TWO STAGES - AT WHICH POINT THE TREATY PROCEDURE AS SUCH WOULD ABORT. I DID NOT GO INTO THE GOC'S PROPOSAL MADE LAST MONTH IN WASHINGTON, BUT DID INDICATE THAT SOME FORMULA WHICH WOULD INVOLVE RECONSIDERATION BY THE COPPER TRIBUNAL HAD BEEN PART OF CHILEAN GOVERNMENT THINKING WHEN THE COUP INTERVENED.

4. I SUGGESTED THAT SAENZ AND HIS GOC COLLEAGUES MIGHT WISH TO THINK THROUGH THE PROS AND CONS OF SOME DIRECT NEGOTIATION WITH THE COPPER COMPANIES, AS A POSSIBLE ALTERNATIVE TO AN INTERNATIONAL MECHANISM SUCH AS A FORTIFIED 1914 TREATY (OR SOME OTHER MECHANISM WHICH WOULD PRODUCE A DEFINITIVE SOLUTION). I SAID I FELT CONFIDENT THAT THE USG WOULD WISH TO BE AT LEAST AS FORTHCOMING AND FLEXIBLE WITH THE NEW CHILEAN GOVERNMENT - AFTER WE WERE IN REGULAR CONTACT OF COURSE - AS IT HAD BEEN WITH ALLENDE. I THOUGHT SAENZ AND HIS COLLEAGUES MIGHT WISH TO CONSIDER THE ADVANTAGES OF DIRECT SETTLEMENT - PARTICULARLY AS THE GOC WOULD, I ASSUME, HAVE AN INTEREST IN ENLISTING THE TECHNICAL KNOW-HOW AND RESOURCES AVAILABLE IN THE U.S. PRIVATE SECTOR FOR INCREASING COPPER PRODUCTION. I SAID I RECOGNIZED THAT A WIDE VARIETY OF ARRANGEMENTS MIGHT BE POSSIBLE, IF A WILL EXISTED ON BOTH SIDES, TO FIND A SOLUTION THAT MET BOTH SIDES' NEEDS. SAENZ REMARKED THAT SOME COMBINATION MIGHT BE WORTH CONSIDERING - SOMETHING THAT MIGHT INVOLVE THE COMPANIES, PERHAPS THE COPPER TRIBUNAL, OR PERHAPS SOME THIRD PARTY MECHANISM. HE NOTED THAT THE NEW GOVERNMENT'S POLITICAL SECRET

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SITUATION IN REGARD TO COPPER WAS OBVIOUSLY A DELICATE ONE, AND REITERATED THAT THE WILL TO FIND A SOLUTION WAS ABSOLUTELY CLEAR WITHIN THE GOC.

5. I DID NOT MENTION THE PRESENCE IN SANTIAGO OF CERRO VICE-PRES. WALSH - AS I KNEW WALSH WAS CONSIDERING A DIRECT APPROACH TO A MEMBER OF THE JUNTA. AFTER MY CONVERSATION WITH SAENZ, HOWEVER, I CALLED WALSH AND SUGGESTED THAT HE MIGHT LIKE TO HAVE AN INFORMAL TALK WITH SAENZ. WALSH TOLD ME HE HAD BY THEN COME TO THE CONCLUSION THAT A DIRECT APPROACH TO A JUNTA MEMBER WAS PREMATURE. WALSH CONCLUDED THAT A TALK WITH SAENZ MIGHT IN FACT BE A VERY GOOD IDEA, AND HAS AN APPOINTMENT WITH HIM AT 4 PM TODAY.

6. COMMENT: I WOULD APPRECIATE ANY GUIDANCE THE DEPT. MIGHT WISH TO GIVE ME ABOUT OUR THINKING ON COPPER - PARTICULARLY WHETHER THE DEPT HOPES TO SEE THE DISPUTE PASS FROM A GOVERNMENT-TO-GOVERNMENT NEGOTIATION TO A DIRECT DISCUSSION BETWEEN THE GOC AND THE COMPANIES THEMSELVES. WE MAY NOT CONTROL THIS, OF COURSE, BUT IT WOULD BE USEFUL TO KNOW HOW TO REACT WHEN OPPORTUNITIES TO INFLUENCE GOC THINKING ARISE. IN THIS CONNECTION, A WELL-PLACED PDC SOURCE IN A RECENT CONVERSATION WITH AN EMBOFF SAID HE HOPED THE USG WOULD NOT GIVE THE JUNTA THE IMPRESSION THAT WE ARE TAKING ADVANTAGE OF CHILE'S PRESENT DIFFICULTIES TO DRIVE A HARD BARGAIN IN COPPER.

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